

110TH CONGRESS  
1ST SESSION

# H. R. 3019

To establish an Office of Housing Counseling to carry out and coordinate the responsibilities of the Department of Housing and Urban Development regarding counseling on homeownership and rental housing issues, to make grants to entities for providing such counseling, to launch a national housing counseling advertising campaign, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2007

Mrs. BIGGERT introduced the following bill; which was referred to the  
Committee on Financial Services

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## A BILL

To establish an Office of Housing Counseling to carry out and coordinate the responsibilities of the Department of Housing and Urban Development regarding counseling on homeownership and rental housing issues, to make grants to entities for providing such counseling, to launch a national housing counseling advertising campaign, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Expand and Preserve  
3 Home Ownership Through Counseling Act”.

4 **SEC. 2. ESTABLISHMENT OF OFFICE OF HOUSING COUN-**  
5 **SELING.**

6       Section 4 of the Department of Housing and Urban  
7 Development Act (42 U.S.C. 3533) is amended by adding  
8 at the end the following new subsection:

9       “(g) OFFICE OF HOUSING COUNSELING.—

10           “(1) ESTABLISHMENT.—There is established,  
11 in the Office of the Secretary, the Office of Housing  
12 Counseling.

13           “(2) DIRECTOR.—There is established the posi-  
14 tion of Director of Housing Counseling. The Direc-  
15 tor shall be the head of the Office of Housing Coun-  
16 seling and shall be appointed by the Secretary. Such  
17 position shall be a career-reserved position in the  
18 Senior Executive Service.

19           “(3) FUNCTIONS.—

20           “(A) IN GENERAL.—The Director shall  
21 have ultimate responsibility within the Depart-  
22 ment, except for the Secretary, for all activities  
23 and matters relating to homeownership coun-  
24 seling and rental housing counseling, includ-  
25 ing—

1 “(i) research, grant administration,  
2 public outreach, and policy development re-  
3 lating to such counseling; and

4 “(ii) establishment, coordination, and  
5 administration of all regulations, require-  
6 ments, standards, and performance meas-  
7 ures under programs and laws adminis-  
8 tered by the Department that relate to  
9 housing counseling, homeownership coun-  
10 seling (including maintenance of homes),  
11 mortgage-related counseling (including  
12 home equity conversion mortgages and  
13 credit protection options to avoid fore-  
14 closure), and rental housing counseling, in-  
15 cluding the requirements, standards, and  
16 performance measures relating to housing  
17 counseling.

18 “(B) SPECIFIC FUNCTIONS.—The Director  
19 shall carry out the functions assigned to the Di-  
20 rector and the Office under this section and any  
21 other provisions of law. Such functions shall in-  
22 clude establishing rules necessary for—

23 “(i) the counseling procedures under  
24 section 106(h)(1) of the Housing and

1 Urban Development Act of 1968 (12  
2 U.S.C. 1701x(h)(1));

3 “(ii) carrying out all other functions  
4 of the Secretary under section 106(h) of  
5 the Housing and Urban Development Act  
6 of 1968, including the establishment, oper-  
7 ation, and publication of the availability of  
8 the toll-free telephone number under para-  
9 graph (2) of such section;

10 “(iii) carrying out section 5 of the  
11 Real Estate Settlement Procedures Act of  
12 1974 (12 U.S.C. 2604) for home buying  
13 information booklets prepared pursuant to  
14 such section;

15 “(iv) carrying out the certification  
16 program under section 106(e) of the Hous-  
17 ing and Urban Development Act of 1968  
18 (12 U.S.C. 1701x(e));

19 “(v) carrying out the assistance pro-  
20 gram under section 106(a)(4) of the Hous-  
21 ing and Urban Development Act of 1968,  
22 including criteria for selection of applica-  
23 tions to receive assistance;

24 “(vi) carrying out any functions re-  
25 garding abusive, deceptive, or unscrupulous

1           lending practices relating to residential  
2           mortgage loans that the Secretary con-  
3           siders appropriate, which shall include con-  
4           ducting the study under section 6 of the  
5           Expand and Preserve Home Ownership  
6           Through Counseling Act;

7           “(vii) providing for operation of the  
8           advisory committee established under para-  
9           graph (4) of this subsection; and

10          “(viii) collaborating with community-  
11          based organizations with expertise in the  
12          field of housing counseling.

13          “(4) ADVISORY COMMITTEE.—

14               “(A) IN GENERAL.—The Secretary shall  
15               appoint an advisory committee to provide advice  
16               and oversight regarding the carrying out of the  
17               functions of the Director.

18               “(B) MEMBERS.—Such advisory committee  
19               shall consist of not more than 12 individuals,  
20               and the membership of the committee shall  
21               equally represent all aspects of the mortgage  
22               and real estate industry, including consumers.

23               “(C) TERMS.—Except as provided in sub-  
24               paragraph (D), each member of the advisory  
25               committee shall be appointed for a term of 3

1 years. Members may be reappointed at the dis-  
2 cretion of the Secretary.

3 “(D) TERMS OF INITIAL APPOINTEES.—As  
4 designated by the Secretary at the time of ap-  
5 pointment, of the members first appointed to  
6 the advisory committee, 4 shall be appointed for  
7 a term of 1 year and 4 shall be appointed for  
8 a term of 2 years.

9 “(E) PROHIBITION OF PAY; TRAVEL EX-  
10 PENSES.—Members of the advisory committee  
11 shall serve without pay, but shall receive travel  
12 expenses, including per diem in lieu of subsist-  
13 ence, in accordance with applicable provisions  
14 under subchapter I of chapter 57 of title 5,  
15 United States Code.

16 “(F) ADVISORY ROLE ONLY.—The advi-  
17 sory committee shall have no role in reviewing  
18 or awarding housing counseling grants.

19 “(5) SCOPE OF HOMEOWNERSHIP COUN-  
20 SELING.—In carrying out the responsibilities of the  
21 Director, the Director shall ensure that homeowner-  
22 ship counseling provided by, in connection with, or  
23 pursuant to any function, activity, or program of the  
24 Department addresses the entire process of home-  
25 ownership, including the decision to purchase a

1 home, the selection and purchase of a home, issues  
 2 arising during or affecting the period of ownership  
 3 of a home (including refinancing, default and fore-  
 4 closure, and other financial decisions), and the sale  
 5 or other disposition of a home.”.

6 **SEC. 3. COUNSELING PROCEDURES.**

7 (a) IN GENERAL.—Section 106 of the Housing and  
 8 Urban Development Act of 1968 (12 U.S.C. 1701x), as  
 9 amended by the preceding provisions of this title, is fur-  
 10 ther amended by adding at the end the following new sub-  
 11 section:

12 “(h) PROCEDURES AND ACTIVITIES.—

13 “(1) COUNSELING PROCEDURES.—

14 “(A) IN GENERAL.—The Secretary shall  
 15 establish, coordinate, and monitor the adminis-  
 16 tration by the Department of Housing and  
 17 Urban Development of the counseling proce-  
 18 dures for homeownership counseling and rental  
 19 housing counseling provided in connection with  
 20 any program of the Department, including all  
 21 requirements, standards, and performance  
 22 measures that relate to homeownership and  
 23 rental housing counseling.

24 “(B) HOMEOWNERSHIP COUNSELING.—

25 For purposes of this subsection and as used in

1 the provisions referred to in this subparagraph,  
2 the term ‘homeownership counseling’ means  
3 counseling related to homeownership and resi-  
4 dential mortgage loans. Such term includes  
5 counseling related to homeownership and resi-  
6 dential mortgage loans that is provided pursu-  
7 ant to—

8 “(i) section 105(a)(20) of the Housing  
9 and Community Development Act of 1974  
10 (42 U.S.C. 5305(a)(20));

11 “(ii) in the United States Housing  
12 Act of 1937—

13 “(I) section 9(e) (42 U.S.C.  
14 1437g(e));

15 “(II) section 8(y)(1)(D) (42  
16 U.S.C. 1437f(y)(1)(D));

17 “(III) section 18(a)(4)(D) (42  
18 U.S.C. 1437p(a)(4)(D));

19 “(IV) section 23(c)(4) (42 U.S.C.  
20 1437u(c)(4));

21 “(V) section 32(e)(4) (42 U.S.C.  
22 1437z-4(e)(4));

23 “(VI) section 33(d)(2)(B) (42  
24 U.S.C. 1437z-5(d)(2)(B));



1 “(VII) sections 302(b)(6) and  
2 303(b)(7) (42 U.S.C. 1437aaa–  
3 1(b)(6), 1437aaa–2(b)(7)); and

4 “(VIII) section 304(c)(4) (42  
5 U.S.C. 1437aaa–3(c)(4));

6 “(iii) section 302(a)(4) of the Amer-  
7 ican Homeownership and Economic Oppor-  
8 tunity Act of 2000 (42 U.S.C. 1437f note);

9 “(iv) sections 233(b)(2) and 258(b) of  
10 the Cranston-Gonzalez National Affordable  
11 Housing Act (42 U.S.C. 12773(b)(2),  
12 12808(b));

13 “(v) this section and section 101(e) of  
14 the Housing and Urban Development Act  
15 of 1968 (12 U.S.C. 1701x, 1701w(e));

16 “(vi) section 220(d)(2)(G) of the Low-  
17 Income Housing Preservation and Resident  
18 Homeownership Act of 1990 (12 U.S.C.  
19 4110(d)(2)(G));

20 “(vii) sections 422(b)(6), 423(b)(7),  
21 424(c)(4), 442(b)(6), and 443(b)(6) of the  
22 Cranston-Gonzalez National Affordable  
23 Housing Act (42 U.S.C. 12872(b)(6),  
24 12873(b)(7), 12874(c)(4), 12892(b)(6),  
25 and 12893(b)(6));

1 “(viii) section 491(b)(1)(F)(iii) of the  
2 McKinney-Vento Homeless Assistance Act  
3 (42 U.S.C. 11408(b)(1)(F)(iii));

4 “(ix) sections 202(3) and  
5 810(b)(2)(A) of the Native American  
6 Housing and Self-Determination Act of  
7 1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));

8 “(x) in the National Housing Act—

9 “(I) in section 203 (12 U.S.C.  
10 1709), the penultimate undesignated  
11 paragraph of paragraph (2) of sub-  
12 section (b), subsection (c)(2)(A), and  
13 subsection (r)(4);

14 “(II) subsections (a) and (c)(3)  
15 of section 237 (12 U.S.C. 1715z–2);  
16 and

17 “(III) subsections (d)(2)(B) and  
18 (m)(1) of section 255 (12 U.S.C.  
19 1715z–20);

20 “(xi) section 502(h)(4)(B) of the  
21 Housing Act of 1949 (42 U.S.C.  
22 1472(h)(4)(B)); and

23 “(xii) section 508 of the Housing and  
24 Urban Development Act of 1970 (12  
25 U.S.C. 1701z–7).

“(C) RENTAL HOUSING COUNSELING.—

For purposes of this subsection, the term ‘rental housing counseling’ means counseling related to rental of residential property, which may include counseling regarding future homeownership opportunities and providing referrals for renters and prospective renters to entities providing counseling and shall include counseling related to such topics that is provided pursuant to—

“(i) section 105(a)(20) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)(20));

“(ii) in the United States Housing Act of 1937—

“(I) section 9(e) (42 U.S.C. 1437g(e));

“(II) section 18(a)(4)(D) (42 U.S.C. 1437p(a)(4)(D));

“(III) section 23(c)(4) (42 U.S.C. 1437u(c)(4));

“(IV) section 32(e)(4) (42 U.S.C. 1437z-4(e)(4));

“(V) section 33(d)(2)(B) (42 U.S.C. 1437z-5(d)(2)(B)); and

1 “(VI) section 302(b)(6) (42  
2 U.S.C. 1437aaa–1(b)(6));

3 “(iii) section 233(b)(2) of the Cran-  
4 ston-Gonzalez National Affordable Housing  
5 Act (42 U.S.C. 12773(b)(2));

6 “(iv) section 106 of the Housing and  
7 Urban Development Act of 1968 (12  
8 U.S.C. 1701x);

9 “(v) section 422(b)(6) of the Cran-  
10 ston-Gonzalez National Affordable Housing  
11 Act (42 U.S.C. 12872(b)(6));

12 “(vi) section 491(b)(1)(F)(iii) of the  
13 McKinney-Vento Homeless Assistance Act  
14 (42 U.S.C. 11408(b)(1)(F)(iii));

15 “(vii) sections 202(3) and  
16 810(b)(2)(A) of the Native American  
17 Housing and Self-Determination Act of  
18 1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));  
19 and

20 “(viii) the rental assistance program  
21 under section 8 of the United States Hous-  
22 ing Act of 1937 (42 U.S.C. 1437f).

23 “(2) STANDARDS FOR MATERIALS.—The Sec-  
24 retary, in conjunction with the advisory committee  
25 established under subsection (g)(4), shall establish

1 standards for materials and forms to be used, as ap-  
2 propriate, by organizations providing homeownership  
3 counseling services, including any recipients of as-  
4 sistance pursuant to subsection (a)(4).

5 “(3) MORTGAGE SOFTWARE SYSTEMS.—

6 “(A) CERTIFICATION.—The Secretary shall  
7 provide for the certification of various computer  
8 software programs for consumers to use in eval-  
9 uating different residential mortgage loan pro-  
10 posals. The Secretary shall require, for such  
11 certification, that the mortgage software sys-  
12 tems take into account—

13 “(i) the consumer’s financial situation  
14 and the cost of maintaining a home, in-  
15 cluding insurance, taxes, and utilities;

16 “(ii) the amount of time the consumer  
17 expects to remain in the home or expected  
18 time to maturity of the loan;

19 “(iii) such other factors as the Sec-  
20 retary considers appropriate to assist the  
21 consumer in evaluating whether to pay  
22 points, to lock in an interest rate, to select  
23 an adjustable or fixed rate loan, to select  
24 a conventional or government-insured or

1           guaranteed loan and to make other choices  
2           during the loan application process.

3           If the Secretary determines that available exist-  
4           ing software is inadequate to assist consumers  
5           during the residential mortgage loan application  
6           process, the Secretary shall arrange for the de-  
7           velopment by private sector software companies  
8           of new mortgage software systems that meet  
9           the Secretary's specifications.

10           “(B) USE AND INITIAL AVAILABILITY.—  
11           Such certified computer software programs  
12           shall be used to supplement, not replace, hous-  
13           ing counseling. The Secretary shall provide that  
14           such programs are initially used only in connec-  
15           tion with the assistance of housing counselors  
16           certified pursuant to subsection (e).

17           “(C) AVAILABILITY.—After a period of ini-  
18           tial availability under subparagraph (B) as the  
19           Secretary considers appropriate, the Secretary  
20           shall take reasonable steps to make mortgage  
21           software systems certified pursuant to this  
22           paragraph widely available through the Internet  
23           and at public locations, including public librar-  
24           ies, senior-citizen centers, public housing sites,  
25           offices of public housing agencies that admin-

1           ister rental housing assistance vouchers, and  
2           housing counseling centers.

3           “(4) NATIONAL PUBLIC SERVICE MULTIMEDIA  
4           CAMPAIGNS TO PROMOTE HOUSING COUNSELING.—

5                   “(A) IN GENERAL.—The Director of Hous-  
6           ing Counseling shall develop, implement, and  
7           conduct national public service multimedia cam-  
8           paigns designed to make persons facing mort-  
9           gage foreclosure, persons considering a  
10          subprime mortgage loan to purchase a home, el-  
11          derly persons, persons who face language bar-  
12          riers, low-income persons, and other potentially  
13          vulnerable consumers aware that it is advisable,  
14          before seeking or maintaining a residential  
15          mortgage loan, to obtain homeownership coun-  
16          seling from an unbiased and reliable sources  
17          and that such homeownership counseling is  
18          available, including through programs spon-  
19          sored by the Secretary of Housing and Urban  
20          Development.

21                   “(B) CONTACT INFORMATION.—Each seg-  
22          ment of the multimedia campaign under sub-  
23          paragraph (A) shall publicize the toll-free tele-  
24          phone number and web site of the Department  
25          of Housing and Urban Development through

1           which persons seeking housing counseling can  
2           locate a housing counseling agency in their  
3           State that is certified by the Secretary of Hous-  
4           ing and Urban Development and can provide  
5           advice on buying a home, renting, defaults,  
6           foreclosures, credit issues, and reverse mort-  
7           gages.

8           “(C) AUTHORIZATION OF APPROPRIA-  
9           TIONS.—There are authorized to be appro-  
10          priated to the Secretary, not to exceed  
11          \$3,000,000 for fiscal years 2008, 2009, and  
12          2010, for the develop, implement, and conduct  
13          of national public service multimedia campaigns  
14          under this paragraph.

15          “(5) EDUCATION PROGRAMS.—The Secretary  
16          shall provide advice and technical assistance to  
17          States, units of general local government, and non-  
18          profit organizations regarding the establishment and  
19          operation of, including assistance with the develop-  
20          ment of content and materials for, educational pro-  
21          grams to inform and educate consumers, particularly  
22          those most vulnerable with respect to residential  
23          mortgage loans (such as elderly persons, persons  
24          facing language barriers, low-income persons, and  
25          other potentially vulnerable consumers), regarding



1 home mortgages, mortgage refinancing, home equity  
2 loans, and home repair loans.”.

3 (b) CONFORMING AMENDMENTS TO GRANT PRO-  
4 GRAM FOR HOMEOWNERSHIP COUNSELING ORGANIZA-  
5 TIONS.—Section 106(c)(5)(A)(ii) of the Housing and  
6 Urban Development Act of 1968 (12 U.S.C.  
7 1701x(c)(5)(A)(ii)) is amended—

8 (1) in subclause (II), by striking “and” at the  
9 end;

10 (2) in subclause (III) by striking the period at  
11 the end and inserting “; and”; and

12 (3) by inserting after subclause (III) the fol-  
13 lowing new subclause:

14 “(IV) notify the housing or mort-  
15 gage applicant of the availability of  
16 mortgage software systems provided  
17 pursuant to subsection (h)(4).”.

18 **SEC. 4. GRANTS FOR HOUSING COUNSELING ASSISTANCE.**

19 Section 106(a) of the Housing and Urban Develop-  
20 ment Act of 1968 (12 U.S.C. 1701x(a)(3)) is amended  
21 by adding at the end the following new paragraph:

22 “(4) HOMEOWNERSHIP AND RENTAL COUNSELING  
23 ASSISTANCE.—

24 “(A) IN GENERAL.—The Secretary shall make  
25 financial assistance available under this paragraph

1 to States, units of general local governments, and  
2 nonprofit organizations providing homeownership or  
3 rental counseling (as such terms are defined in sub-  
4 section (h)(1)).

5 “(B) QUALIFIED ENTITIES.—The Secretary  
6 shall establish standards and guidelines for eligibility  
7 of organizations (including governmental and non-  
8 profit organizations) to receive assistance under this  
9 paragraph.

10 “(C) DISTRIBUTION.—Assistance made avail-  
11 able under this paragraph shall be distributed in a  
12 manner that encourages efficient and successful  
13 counseling programs.

14 “(D) AUTHORIZATION OF APPROPRIATIONS.—  
15 There are authorized to be appropriated  
16 \$45,000,000 for each of fiscal years 2008 through  
17 2011 for—

18 “(i) the operations of the Office of Hous-  
19 ing Counseling of the Department of Housing  
20 and Urban Development;

21 “(ii) the responsibilities of the Secretary  
22 under paragraphs (2) through (6) of subsection  
23 (h); and

1           “(iii) assistance pursuant to this para-  
 2           graph for entities providing homeownership and  
 3           rental counseling.”.

4 **SEC. 5. REQUIREMENTS TO USE HUD-CERTIFIED COUN-**  
 5 **SELORS UNDER HUD PROGRAMS.**

6           Section 106(e) of the Housing and Urban Develop-  
 7           ment Act of 1968 (12 U.S.C. 1701x(e)) is amended—

8           (1) by striking paragraph (1) and inserting the  
 9           following new paragraph:

10           “(1) REQUIREMENT FOR ASSISTANCE.—An or-  
 11           ganization may not receive assistance for counseling  
 12           activities under subsection (a)(1)(iii), (a)(2), (a)(4),  
 13           (c), or (d) of this section, or under section 101(e),  
 14           unless the organization, or the individuals through  
 15           which the organization provides such counseling, has  
 16           been certified by the Secretary under this subsection  
 17           as competent to provide such counseling.”;

18           (2) in paragraph (2)—

19           (A) by inserting “and for certifying organi-  
 20           zations” before the period at the end of the  
 21           first sentence; and

22           (B) in the second sentence by striking “for  
 23           certification” and inserting “, for certification  
 24           of an organization, that each individual through  
 25           which the organization provides counseling shall

1 demonstrate, and, for certification of an indi-  
2 vidual,”;

3 (3) in paragraph (3), by inserting “organiza-  
4 tions and” before “individuals”;

5 (4) by redesignating paragraph (3) as para-  
6 graph (5); and

7 (5) by inserting after paragraph (2) the fol-  
8 lowing new paragraphs:

9 “(3) REQUIREMENT UNDER HUD PROGRAMS.—  
10 Any homeownership counseling or rental housing  
11 counseling (as such terms are defined in subsection  
12 (h)(1)) required under, or provided in connection  
13 with, any program administered by the Department  
14 of Housing and Urban Development shall be pro-  
15 vided only by organizations or counselors certified by  
16 the Secretary under this subsection as competent to  
17 provide such counseling.

18 “(4) OUTREACH.—The Secretary shall take  
19 such actions as the Secretary considers appropriate  
20 to ensure that individuals and organizations pro-  
21 viding homeownership or rental housing counseling  
22 are aware of the certification requirements and  
23 standards of this subsection and of the training and  
24 certification programs under subsection (f).”.

1 **SEC. 6. STUDY OF DEFAULTS AND FORECLOSURES.**

2       The Secretary of Housing and Urban Development  
3 shall conduct an extensive study of the root causes of de-  
4 fault and foreclosure of home loans, using as much empir-  
5 ical data as are available. The study shall also examine  
6 the role of escrow accounts in helping prime and nonprime  
7 borrowers to avoid defaults and foreclosures. Not later  
8 than 12 months after the date of the enactment of this  
9 Act, the Secretary shall submit to the Congress a prelimi-  
10 nary report regarding the study. Not later than 24 months  
11 after such date of enactment, the Secretary shall submit  
12 a final report regarding the results of the study, which  
13 shall include any recommended legislation relating to the  
14 study, and recommendations for best practices and for a  
15 process to identify populations that need counseling the  
16 most.

17 **SEC. 7. DEFINITIONS FOR COUNSELING-RELATED PRO-**  
18 **GRAMS.**

19       Section 106 of the Housing and Urban Development  
20 Act of 1968 (12 U.S.C. 1701x), as amended by the pre-  
21 ceding provisions of this title, is further amended by add-  
22 ing at the end the following new subsection:

23       “(i) **DEFINITIONS.**—For purposes of this section:

24               “(1) **NONPROFIT ORGANIZATION.**—The term  
25       ‘nonprofit organization’ has the meaning given such  
26       term in section 104(5) of the Cranston-Gonzalez Na-

1 tional Affordable Housing Act (42 U.S.C.  
 2 12704(5)), except that subparagraph (D) of such  
 3 section shall not apply for purposes of this section.

4 “(2) STATE.—The term ‘State’ means each of  
 5 the several States, the Commonwealth of Puerto  
 6 Rico, the District of Columbia, the Commonwealth  
 7 of the Northern Mariana Islands, Guam, the Virgin  
 8 Islands, American Samoa, the Trust Territories of  
 9 the Pacific, or any other possession of the United  
 10 States.

11 “(3) UNIT OF GENERAL LOCAL GOVERN-  
 12 MENT.—The term ‘unit of general local government’  
 13 means any city, county, parish, town, township, bor-  
 14 ough, village, or other general purpose political sub-  
 15 division of a State.”.

16 **SEC. 8. UPDATING AND SIMPLIFICATION OF MORTGAGE IN-**  
 17 **FORMATION BOOKLET.**

18 Section 5 of the Real Estate Settlement Procedures  
 19 Act of 1974 (12 U.S.C. 2604) is amended—

20 (1) in the section heading, by striking “SPE-  
 21 CIAL” and inserting “HOME BUYING” ;

22 (2) by striking subsections (a) and (b) and in-  
 23 serting the following new subsections:

24 “(a) PREPARATION AND DISTRIBUTION.—The Sec-  
 25 retary shall prepare, at least once every 5 years, a booklet

1 to help consumers applying for federally related mortgage  
2 loans to understand the nature and costs of real estate  
3 settlement services. The Secretary shall prepare the book-  
4 let in various languages and cultural styles, as the Sec-  
5 retary determines to be appropriate, so that the booklet  
6 is understandable and accessible to homebuyers of dif-  
7 ferent ethnic and cultural backgrounds. The Secretary  
8 shall distribute such booklets to all lenders that make fed-  
9 erally related mortgage loans. The Secretary shall also dis-  
10 tribute to such lenders lists, organized by location, of  
11 homeownership counselors certified under section 106(e)  
12 of the Housing and Urban Development Act of 1968 (12  
13 U.S.C. 1701x(e)) for use in complying with the require-  
14 ment under subsection (c) of this section.

15 “(b) CONTENTS.—Each booklet shall be in such form  
16 and detail as the Secretary shall prescribe and, in addition  
17 to such other information as the Secretary may provide,  
18 shall include in plain and understandable language the fol-  
19 lowing information:

20 “(1) A description and explanation of the na-  
21 ture and purpose of the costs incident to a real es-  
22 tate settlement or a federally related mortgage loan.  
23 The description and explanation shall provide gen-  
24 eral information about the mortgage process as well  
25 as specific information concerning, at a minimum—

1                   “(A) balloon payments;

2                   “(B) prepayment penalties; and

3                   “(C) the trade-off between closing costs  
4                   and the interest rate over the life of the loan.

5                   “(2) An explanation and sample of the uniform  
6                   settlement statement required by section 4.

7                   “(3) A list and explanation of lending practices,  
8                   including those prohibited by the Truth in Lending  
9                   Act or other applicable Federal law, and of other un-  
10                  fair practices and unreasonable or unnecessary  
11                  charges to be avoided by the prospective buyer with  
12                  respect to a real estate settlement.

13                  “(4) A list and explanation of questions a con-  
14                  sumer obtaining a federally related mortgage loan  
15                  should ask regarding the loan, including whether the  
16                  consumer will have the ability to repay the loan,  
17                  whether the consumer sufficiently shopped for the  
18                  loan, whether the loan terms include prepayment  
19                  penalties or balloon payments, and whether the loan  
20                  will benefit the borrower.

21                  “(5) An explanation of the right of rescission as  
22                  to certain transactions provided by sections 125 and  
23                  129 of the Truth in Lending Act.

24                  “(6) A brief explanation of the nature of a vari-  
25                  able rate mortgage and a reference to the booklet



1 entitled ‘Consumer Handbook on Adjustable Rate  
2 Mortgages’, published by the Board of Governors of  
3 the Federal Reserve System pursuant to section  
4 226.19(b)(1) of title 12, Code of Federal Regula-  
5 tions, or to any suitable substitute of such booklet  
6 that such Board of Governors may subsequently  
7 adopt pursuant to such section.

8 “(7) A brief explanation of the nature of a  
9 home equity line of credit and a reference to the  
10 pamphlet required to be provided under section  
11 127A of the Truth in Lending Act.

12 “(8) Information about homeownership coun-  
13 seling services made available pursuant to section  
14 106(a)(4) of the Housing and Urban Development  
15 Act of 1968 (12 U.S.C. 1701x(a)(4)), a rec-  
16 ommendation that the consumer use such services,  
17 and notification that a list of certified providers of  
18 homeownership counseling in the area, and their  
19 contact information, is available.

20 “(9) An explanation of the nature and purpose  
21 of escrow accounts when used in connection with  
22 loans secured by residential real estate and the re-  
23 quirements under section 10 of this Act regarding  
24 such accounts.

1           “(10) An explanation of the choices available to  
2       buyers of residential real estate in selecting persons  
3       to provide necessary services incidental to a real es-  
4       tate settlement.

5           “(11) An explanation of a consumer’s respon-  
6       sibilities, liabilities, and obligations in a mortgage  
7       transaction.

8           “(12) An explanation of the nature and purpose  
9       of real estate appraisals, including the difference be-  
10      tween an appraisal and a home inspection.

11          “(13) Notice that the Office of Housing of the  
12      Department of Housing and Urban Development has  
13      made publicly available a brochure regarding loan  
14      fraud and a World Wide Web address and toll-free  
15      telephone number for obtaining the brochure.

16      The booklet prepared pursuant to this section shall take  
17      into consideration differences in real estate settlement pro-  
18      cedures that may exist among the several States and terri-  
19      tories of the United States and among separate political  
20      subdivisions within the same State and territory.”;

21          (3) in subsection (c), by striking the last sen-  
22      tence and inserting the following new sentence:  
23      “Each lender shall also include with the booklet a  
24      reasonably complete or updated list of homeowner-  
25      ship counselors who are certified pursuant to section

1       106(e) of the Housing and Urban Development Act  
2       of 1968 (12 U.S.C. 1701x(e)) and located in the  
3       area of the lender.”; and

4               (4) in subsection (d), by inserting after the pe-  
5       riod at the end of the first sentence the following:  
6       “The lender shall provide the HUD-issued booklet in  
7       the version that is most appropriate for the person  
8       receiving it.”.

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